COMMONWEALTH OF MASSACHUSETTS
Department of Telecommunications and Energy

RESPONSE OF THE ATTORNEY GENERAL TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE
BAY STATE GAS COMPANY
D.T.E. 05-27

Dated: August 1, 2005

Responsible Party: David Effron

BSG-AG-1-11 Does Mr. Effron believe there is a difference in the excess or deficient tax amortization methodologies of the "Average Rate Assumption Methodology (ARAM)" versus the "Reverse South Georgia Methodology?" If not, why not?

Response: Mr. Effron believes that the "Average Rate Assumption Methodology (ARAM)" and the "Reverse South Georgia Methodology" are intended to address different matters. The ARAM addresses the flow back of deferred taxes subsequent to a change in tax rates and specifies that the deferred taxes on the reversing timing differences should be calculated using the same average rate as was applied to the originating timing differences. The Reverse South Georgia Method amortizes a deferred tax "deficiency" or "excess" ratably over the expected remaining life of the assets to which the deficiency relates, rather than reversing the deficiency based on the actual timing of the reversing differences that gave rise to the deficiency.